TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE Transcriber's Office

April 13, 1999 LB 505

even the Nebraska sales tax. They will forget that. We already have them doing that in the context of remote sales in the sales There's no reason to expect that they wouldn't go head over heels for the same thing with regard to cigarettes. And then in some jurisdictions we have an even larger problem, and that is sales off reservations. Those are increasing dramatically. They can be done over the telephone or over the Internet. You call up an 800 number, or you access a web page someplace, and you order X number of cartons of cigarettes, and they arrive in the mail, and they arrive without excise taxes that are imposed on other folks. Now, what Senator Landis proposes, I think, increases the risk that all of that activity would increase to a fairly dramatic extent. He indicates to you that when they increased the cigarette tax in Oregon, they had a decrease in consumption. When...the information I have for a neighboring state to Oregon, that is the state of Washington, is that that isn't necessarily the result that occurred there. Washington has an excise tax on cigarettes that is 82.5 cents Did they necessarily see a dramatic decrease in per pack. That isn't the information I have. consumption in Washington? What they have is significant information that indicates that there was tremendous...there were rather large amounts of revenue lost to the state of Washington through tax evasion.

SPEAKER KRISTENSEN: One minute.

SENATOR WICKERSHAM: The estimate on the loss in revenues, through tax evasion, in the state of Washington, that's a larger state, of course, more people, but it was real bucks, it was \$104 million. The Washington Department of Revenue estimates that that jurisdiction loses, on an annual basis, \$104 million due to tax evasion related to the 8.5 cents per pack tax on cigarettes, a tax that they initiated in a variety of stages, beginning in 1994. They had a 54 cent tax and raised it gradually to the current 82.5 cents. By their own accounts they're experiencing substantial losses of revenue through tax evasion. And it isn't only the loss of revenue. I don't want to sound like...

SPEAKER KRISTENSEN: Time.

SENATOR WICKERSHAM: ... just a penny-pincher, it is the